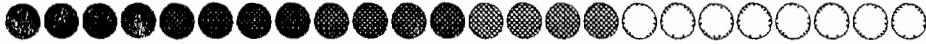
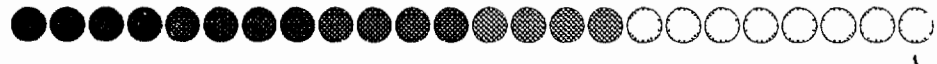


PD-ABQ-474  
97441



**EVOLUTION OF A PROCESS**  
**The Experiences of CHF in Paraguay:**

**Cooperative Development, Home Improvement  
Loans and Local Government Strengthening**



April 1998

**CHF**

Executive Summary	1
I The Emergence of CHF in Paraguay	2
A Cooperative Agreement No FAO-055-A-00-3055-00	2
B Cooperative Agreement No 518-1008-A-5204-00	6
II CHF's Strategy in Paraguay	9
A Building Partnerships	9
1 Local Partners	9
2 International Partners	11
B Building Sustainability	13
1 Cooperative Development	13
2 Home Improvement Loan Program	13
3 Local Government Strengthening	14
III CHF's Methodology for the Implementation of its Work	15
A Assessments and Analysis	15
B Technology Transfer	15
C Training	15
D Meetings and Negotiations	16

E Site Visits and Hands-on Assistance	16
F Monitoring	17
IV Evaluation of CHF's Efforts	16
V Lessons Learned	18
VII Evaluation Methodology	19
Annexes	
Annex 1, Institutional Roles	1
Annex 2, Interviews with individuals and partner organization	4
Annex 3, Assessment Tool (sample)	5
Assessment Tool Results	6
Annex 4, Poster for Ñande Roga Home Improvement Program	11
Annex 5, Sample photos of improvements	12

## **Executive Summary**

The purpose of this report is to describe and evaluate the activities undertaken by the Cooperative Housing Foundation (CHF) in Paraguay from 1989 until the end of September 1997. CHF was first invited to Paraguay by the U.S. Peace Corps/Paraguay to determine if a successful home improvement loan program that CHF had developed and tested in Costa Rica, with the collaboration of Peace Corps Volunteers, could be adapted in Paraguay. This effort led to a series of CHF activities to help in the design of a home improvement program with local organizations and train Peace Corps Volunteers in the methodology of the CHF home improvement program.

In 1993, The U.S. Agency for International Development (USAID) awarded CHF a Cooperative Agreement to fund its Innovative Approach to Housing Delivery for the Informal Sector through Housing Cooperatives in USAID's South America Program. Under this regional effort, CHF assigned a regional representative to work out of Asuncion, Paraguay. The Cooperative Agreement allowed CHF to help the cooperatives in Paraguay develop a cooperative housing Technical Service Organization and access the Government of Paraguay's National Housing Council loan program for low income families. A successful home improvement loan program for low income members of credit unions was carried out with the participation of local and international partners.

CHF was awarded a second Cooperative Agreement by USAID in July 1995 to continue the activities it had initiated under the first agreement. CHF succeeded in having the Inter-American Development Bank and CONAVI agree to allow the Central National Cooperative of Credit Unions and its credit unions be classified as intermediate Finance Institutions and participate in an Inter-American Development Bank loan funded program. Additional local governance and decentralization activities were added to the objectives of the second Cooperative Agreement, and CHF helped in the design and implementation of USAID/Paraguay's local governance and decentralization strategy with selected municipal governments.

The strategies of CHF's efforts in Paraguay included both the forming of partnerships, with both local and international organizations, and building sustainability into the main areas of its assistance in Paraguay: cooperative development, home improvement loans, and local government strengthening.

This report describes the methodology used by CHF in undertaking its work in Paraguay and evaluates its efforts. It also describes lessons learned as the result of the implementation of its work.

The report was prepared by a two person team fielded by CHF: Abigail Calkins, Resident Advisor for CHF/Mexico, and Jose A. Quiñonez, Independent Consultant. They were in Paraguay from 18 to 27 September 1997.

## **I The Emergence of CHF in Paraguay**

In March of 1989, Peace Corps/Paraguay asked CHF to assess the housing conditions in the country in order to investigate the possibility of adapting a successful home improvement loan program that CHF had developed and implemented in Costa Rica with credit unions and Peace Corps. During its assessment, CHF visited production cooperatives, credit unions, the national housing bank, and the national housing institute in Paraguay. The CHF assessment noted a strong interest by public sector agencies in the participation of private sector organizations, including cooperatives, in the government's home improvement loan programs for low-income families in Paraguay.

CHF conducted a series of short-term missions in Paraguay between 1990 and 1992 to provide assistance in designing a home improvement loan program for the cooperative system that would include the involvement of Peace Corps Volunteers and fit within the parameters of the Government of Paraguay's housing program for private, nonprofit organizations. CHF also trained Peace Corps Volunteers to enable them to work with the Central National of Cooperative Credit Unions (CREDICOOP) and its affiliated credit unions to promote, implement, and administer housing loans for low-income members.

### **A Cooperative Agreement No. FAO-055-A-00-3055-00**

In 1993, USAID awarded CHF Cooperative Agreement No. FAO-055-A-00-3055-00 to fund its Innovative Approach to Housing Delivery for the Informal Sector through Housing Cooperatives in South America Program. This regional Cooperative Agreement was funded by USAID's Office of Private Voluntary Cooperation, USAID/Ecuador, and the Regional Housing and Urban Development Office for South America (RHUDO/SA). The total amount allocated for this two-year initiative was \$445,000. CHF established one of two regional offices under this cooperative agreement in Paraguay and assigned Mr. Todd Sorenson to be its regional representative based in Asuncion.

The main activities of the Cooperative Agreement and what CHF accomplished with each of them is described below:

1. Activity: Establish a Technical Service Organization (TSO) to promote and organize cooperative housing projects.

**Accomplishments:** After assessing various Paraguayan organizations, CHF identified CREDICOOP as the most appropriate one to assist in developing the capabilities of a cooperative housing TSO. CHF signed a Memorandum of Understanding with CREDICOOP.

to help it develop a TSO capacity to able to plan, implement, and administer home improvement loan programs for the cooperative sector. As the result of CHF's training and assistance in planning and management of housing credit programs, CREDICOOP acquired the ability to serve as a TSO for the cooperative sector in Paraguay.

The creation of a TSO capability within CREDICOOP was seen as a positive action within Paraguay but also by Peace Corps and cooperative apex organizations in two neighboring countries. For instance, Peace Corps/Uruguay requested that CHF conduct an investigation into a possible home improvement loan program in that country. The CHF regional representative visited the Ministry of Housing, housing finance institutions, and cooperative organizations, plus Peace Corps/Uruguay, to investigate their interest in such a program. Considerable enthusiasm was found with various organizations, especially with the Uruguayan Credit Union Federation, in a home improvement loan program. CHF tentatively identified the credit union federation as the most likely organization in which to establish a cooperative housing TSO capability. Peace Corps/Uruguay assigned a volunteer to continue to explore the possibility of forming a TSO and a home improvement loan program after CHF's visit, but this initiative was unable to proceed because of the lack of loan capital for the program.

Representatives of the Credit Union Federation from Sao Paulo, Brazil, visited CREDICOOP and were most intrigued with its home improvement loan program. They invited CHF to visit their federation and some of its credit unions to assess the possibilities of developing a home improvement program. CHF's regional representative visited the federation and a few of its credit unions and noted considerable interest in a home improvement loan program with the federation acquiring as a TSO. Unfortunately, no non-credit union funding was identified to capitalize such a cooperative program.

2 Activity Assist and train the selected TSO in the planning, management and budgeting for the housing loans

Accomplishments CHF helped CREDICOOP design, plan, manage, and budget a demonstration home improvement loan program called the "Ñande Roga Home Improvement Program". The program was modeled after the successful CHF/Peace Corps home improvement program in Costa Rica. In fact, a core group of Peace Corp Volunteers who had worked with the program in Costa Rica were brought to Paraguay to help transfer the model and its methodology to Paraguay. The Ñande Roga Home Improvement Program was a partnership between CREDICOOP, CONAVI, U S Peace Corps, and CHF. Twenty-two credit unions participated in the program.

Within the Ñande Roga program, cooperative members had the opportunity to obtain

affordable credit to make necessary home improvements. In addition, the cooperatives received valuable knowledge and skills in planning, managing and budgeting shelter programs (See below). They found that they could even apply these skills to other types of loans for their members.

CHF developed a program procedural manual and project materials both in Spanish and English for the Ñande Roga Home Improvement Program. CHF assisted CREDICOOP in designing and implementing computer based financial programs to effectively track disbursements and repayment schedules and trained CREDICOOP's board of directors and staff in the planning, management and budgeting of the program.

### 3 Activity Provide training for a minimum of 150 cooperative board members and staff

**Accomplishments** CHF conducted training sessions for a total of 195 board members and staff of the 22 participating credit unions in the following areas:

➤ housing finance options,	➤
budget preparation and management,	➤
loan qualifications,	➤
loan disbursement,	➤
loan follow-up,	➤
loan recuperation techniques,	➤
sound accounting systems, and	➤
home improvement plan	

In addition, CHF conducted training workshops for a total of 17 Peace Corp Volunteers who were assigned to help the cooperatives participating in the home improvement loan program.

They provided on-site training and technical support to the cooperatives and, in some instances, to the cooperative members benefitting from the loans.

CHF supported the Peace Corp Volunteer Project in the following areas:

- identification of sites for Peace Corp Volunteers assignments,
- support to Peace Corp Volunteers working in participating cooperatives, and

- provision of training materials in both English and Spanish for Peace Corp Volunteers to use in the field

#### 4 Activity Incorporate the cooperative sector in the national housing delivery system

**Accomplishments** Prior to CHF arrival in Paraguay, cooperatives did not participate in the national housing delivery system CREDICOOP on numerous occasions had attempted to have the Government's housing agencies consider the incorporation of cooperatives in the national delivery system, but was not successful (see Annex 3, Interviews) CHF was able to convince the Government of the soundness of cooperatives as grass roots credit organizations and the ability of CREDICOOP to assist its member cooperatives with the operational and administrative aspects of housing loans As the result of this effort by CHF, CONAVI agreed to enter into an agreement with CREDICOOP and CHF to provide financing for the Ñande Roga Home Improvement Loan Program

Under the agreement, CONAVI made loans to CREDICOOP for the Ñande Roga Home Improvement Loan Program which in turn made loans to the credit unions that participated in the program providing home improvement loans to qualifying members

The program beneficiaries improved their homes in accordance with approved plans and budgets Although modest, these improvements (construction of a modern bathroom, additional bedroom, latrine shelter, kitchen, roof, electricity, etc ) provided the beneficiaries and their families with more secure and healthier living conditions See Annex 5 for sample of home improvement made under the program

The financing from CONAVI was directed to families with incomes below two minimum wage units per month The average monthly income of the credit union members who participated in the Ñande Roga Home Improvement Program was 1.81 minimum wage units, below CONAVI's minimum wage units per month

#### 5 Activity Facilitate the TSO to obtain a minimum of 375 CONAVI housing loans, totaling US\$655,000 for cooperative members to improve their homes

**Accomplishments** CHF was able to help arrange for CONAVI to enter into an agreement with CREDICOOP to offer financing for the Ñande Roga Home Improvement Program Under the agreement, CONAVI was to have provided a total of \$655,000 to CREDICOOP for the program CONAVI, as the result of a change in the national housing finance system, was able to provide only a total of \$562,000 The reduced amount of available funding provided loans for 280 credit union members The average amount of the loans was \$1,850



CREDICOOP has had a 100% repayment rate of its loans with CONAVI. In contrast, the repayment rates of other institutions and individuals borrowing from CONAVI have been extremely poor. In a 1993 document entitled "Institutional Issues Summary, Cooperative Housing Initiative, Paraguay," CHF reported that the average delinquency rate for the CONAVI housing projects was about 50 percent with some individual sites registering rates of over 90 percent default. CONAVI attributes CREDICOOP's success in loan repayment to the strong programmatic framework established by the partner organizations, that is CHF, the Peace Corps, CONAVI, CREDICOOP and the participating cooperatives, under the Ñande Roga Home Improvement Program.

6 Activity Support the feasibility study and development and preparation of a project paper for a Housing Guarantee (HG) Loan Program

Accomplishments CHF helped the USAID's Regional Housing and Urban Development Office for South America (RHUDO/SA) to develop a HG loan program for Paraguay. CHF conducted research on shelter and urban environmental conditions, identification and assessment of local institutions and assisted in the design of a HG loan program. The proposed HG loan program was based on CHF's experience of working with the cooperative sector on home improvement loans as well as on the needs for environmental infrastructure of municipal and departmental governments and communities.

## **B Agreement No 518-1008-a-5204-00**

This first Cooperative Agreement concluded at the end of August 1995. Due to CHF's success in accomplishing the objectives of the agreement, RHUDO/SA and USAID/Paraguay awarded CHF a second Cooperative Agreement, No 518-1008-a-5204-00, to continue to provide assistance in the development of a HG loan program, as well as for local governance and decentralization matters. This Cooperative Agreement was effective from September 1995 and originally scheduled to end in September 1996. It was later expanded to carry out additional activities and extended through September 30, 1997. The total amount of this Cooperative Agreement was \$236,000.

The main activities of this Cooperative Agreement and what CHF accomplished with each of them is described below:

1 Activity Strengthen CREDICOOP and its affiliate credit unions in administering home improvement lending programs

Accomplishments CHF continued to help strengthen the capacity of CREDICOOP and its credit unions to administer home improvement loans. This was accomplished by training the boards of directors and staff of CREDICOOP and the participating credit unions in financial

management and accounting and site visits to offer hands-on help. Peace Corp Volunteers assisted in this through process at both the individual cooperative and CREDICOOP levels.

2 Activity Gain approval for CREDICOOP to participate as an Intermediary Financial Institution (IFI) in an Inter-American Development Bank (IDB) funded housing program.

Accomplishments CHF succeeded in convincing CONAVI and the IDB to include CREDICOOP and its credit union members as IFIs in the IDB US\$54.0 million housing loan program to Paraguay. This was an important change in IDB's initial policy on its loan program and a formal recognition, by both the IDB and CONAVI, of the importance of the cooperative sector in the national housing delivery system.

CHF helped CONAVI design a home improvement loan program that became the model used for all of its partnership agreements with other cooperative associations and local NGOs.

CHF played a key role in helping CONAVI and the IDB to formulate national housing finance policy changes which lead to the implementation of a direct housing subsidy model. CREDICOOP and its credit unions may participate in this direct subsidy program.

In 1995, the role of CONAVI changed, by governmental decree, to serve as a regulator and to provide only a direct housing subsidy model. With the help and direct assistance of CHF, CREDICOOP, representing the cooperative sector, was qualified as an IFI and signed the necessary registration agreements with CONAVI to enable it to participate in the new national housing program. This registration also applied to CREDICOOP's member cooperatives interested in the program.

During the 1995, CHF assisted CONAVI in the formulation of a strategy for a housing subsidy program, supported by an IDB loan. CHF also maintained a direct relationship with the Commission on Population and Housing in the House of Deputies in the Paraguayan Congress and assisted it in the formulation of a public housing policy and the appropriate design of the direct housing subsidy law.

3 Activity Provide assistance to RHUDO/SA to initiate the start-up phase of a proposed Housing Guarantee (HG) Loan Program in Paraguay.

Accomplishments CHF helped to finalize the HG project paper that was presented to USAID Washington for approval during FY 96. The proposed project was not approved because of Congressional cuts in USAID's budget. It should be noted that HG loan programs in other countries that had already been approved by USAID were being canceled during this

same period

When the absence of funding prevented the approval and implementation of the proposed HG loan program in which CREDICOOP and its cooperatives were to have had active roles, the focus of CHF's activities under the Cooperative Agreement shifted from cooperative development and home improvement loans to strengthening local government and decentralization policy. The following activities were added to the Cooperative Agreement's objectives:

4 Activity Strengthen selected local governments by assisting them to carry out activities related to RHUDO/SA's Regional Local Governance Project

Accomplishments CHF provided key assistance for the RHUDO/SA's local governance project. CHF was involved in the design and development of strategies and programming approaches for local government strengthening and decentralization.

CHF helped RHUDO/SA carry out its Sustainable Cities activity to improve the solid waste management in the greater Asuncion metropolitan area. CHF provided technical assistance in designing this activity and introduced the RHUDO/SA to potential local counterparts. Alter Vida, a local NGO, was selected as the main partner and is currently working with selected municipalities to assist them in establishing a solid waste management plans.

CHF assisted Alter Vida to develop an approach and methodology for its Sustainable Cities activity.

5 Activity Assist the USAID/Paraguay Mission in the design and development of local government strengthening and decentralization strategies and programming approaches.

Accomplishments CHF became the leader of USAID/Paraguay's local government Results Package Team. It helped to build a strong, multi-sectoral team of USAID Mission partners and contractors for local government strengthening. This effort included the design of municipal management training and conference workshops and policy guidance for the development of national policy conferences on decentralization issues.

CHF assisted in the selection of municipal workshop participants and the identification of potential municipalities where USAID's assistance efforts could be focused to support and strengthen those local governments as "model municipalities." These efforts were limited to three of the country's 17 provincial departments and Asuncion, the nation's capital, which represent about 40% of the Paraguay's total population.

CHF was involved in carrying out pilot projects in the decentralization of basic health care.

CHF and other Mission partners assisted in the design of a national health decentralization policy which was the basis for a new law, the "National Health System Law", enacted in January of 1997

## **II CHF Strategies in Paraguay**

CHF applied two strategies in the implementation of its activities in Paraguay. The strategies are building partnerships and building sustainability, whenever possible, in the activities it assisted. These two strategies are described below.

### **A Building Partnerships**

Throughout its work in Paraguay, CHF has developed working relationships with various local and international organizations (see annex 1 for a list of such organizations). CHF was able to gain respect of both the local and international organizations as the result of its leadership abilities, team building approach, and results-oriented management style. Examples of some of CHF's partnership are described below.

#### **1 Local Partners**

##### **a CREDICOOP**

The Central National Cooperative of Credit Unions (CREDICOOP) is registered as an intermediary organization or "second-grade institution". It has the authority to provide assistance to credit unions throughout the country, but it cannot offer direct assistance to their members. CREDICOOP is organized under the law No. 349/72, recognized by the Executive Power as a legal organization by Decree No. 6094, of October 27, 1973, and subscribed to the General Directory of Cooperatives (MAG) as No. 59.

CREDICOOP developed a TSO capability with the help of CHF and US Peace Corps Volunteers. CHF also helped CREDICOOP to plan the Ñande Roga Home Improvement Program for its affiliated credit unions. The funding for the program was provided by the Government of Paraguay (GOP) through CONAVI, which provided loans to CREDICOOP to on-lend to its members. Peace Corp Volunteers helped the credit unions participating in the program.

##### **b Credit Unions**

Credit unions are located throughout Paraguay, with the exception of the Occidental Region.

They are open to membership of any persons, regardless of sex, religion, profession, or socio-economic background. In many instances, the credit unions constitute the principal source of financing that supports socio-economic development in their communities. Most of them are affiliated with CREDICOOP.

A total of 25 credit unions were informed of the Ñande Roga Home Improvement Program. Twenty-two decided to participate in it. CHF and Peace Corp Volunteers provided training to over 195 board members and staff of the participating credit unions. The credit unions received loans from CONAVI, via CREDICOOP, to make home improvement loans to 280 of their members. This new service helped to strengthen the image and financial situation of the participating credit unions.

#### c CONAVI

The National Housing Council (CONAVI) was created in 1989 by decree to replace the Paraguay National Urban and Housing Institute. It was created as a credit and regulatory institution in the housing sector. CHF worked closely with CONAVI to design its strategy for the Ñande Roga Home Improvement Program in 1993. CONAVI used this strategy to provide lines of credit to private sector organizations, including cooperatives, working to improve housing conditions in Paraguay.

In 1995, CONAVI's role in providing credit to local intermediaries was permanently changed. Under a decree and with financial assistance from the IDB, CONAVI established a direct housing subsidy model. This newly established program provided subsidies of varying levels (according to income bracket) toward the purchase of a new or pre-owned house. CONAVI is no longer authorized to provide loans to IFIs, such as CREDICOOP, as it had done under the Ñande Roga Home Improvement Program.

#### d Municipalities

CHF worked with selected municipalities to train their staff and strengthen their abilities to decentralize their services. Assistance was provided to the municipalities in the drafting of legislation to encourage decentralization and more participating from local community-based organizations in local government activities.

#### E Alter Vida

Alter Vida is a non-profit environmental institution established in 1985. Alter Vida's institutional mission is defined as "working for sustainable development and the appropriate

management of ecosystems with the participation, concentration and commitment of different social actors”

Alter Vida was selected to carry the bulk of the RHUDO/SA's Sustainable Cities Initiatives in Paraguay CHF helped the NGO design a methodology to deal with its Sustainable Cities activity

## **2 International Partners**

### **a US Peace Corps**

Peace Corps/Paraguay invited CHF to first visit the country to assess the housing situation As the result of the assessment, CHF designed a home improvement loan program, modeled after a similar program that it had developed in Costa Rica with Peace Corp Volunteers, and initiated a training program of volunteers Peace Corps was one of the key partners in the Ñande Roga Home Improvement Program and was most helpful in creating a TSO capability in CREDICOOP

### **b Florida International University**

Florida International University (FIU) was contracted by USAID to conduct work in Paraguay related to its Regional Local Governance Program FIU sub-contracted CHF to help it carry out its work The FIU/CHF contract was initiated on September 15, 1994, and ended on October 31, 1995

Under this sub-contract, CHF carried out the following activities

- ▶ Conducted an assessment of the Paraguayan governorships, focusing on the three target Departments The assessment was used as the basis for proposed areas for technical assistance to the target governorships and selected municipalities
- Investigated and gathered information related to the development of the FIU diagnostic report on the Paraguayan decentralization process
- ▶ Conducted research on the municipal participation in public service delivery activities
- ▶ Carried out a comparative study of municipal revenues and legislation related to revenue collecting, breaking down revenues by major tax bases with special attention placed on local property tax as a key municipal tax base

- ▶ Supported the devolution of authority to local governments in the areas of basic health services, the delivery of basic public services such as local potable water and sewage systems and financial decentralization by the national government
- ▶ Assisted FIU in planning, organizing and conducting the following conferences and workshops in Paraguay as shown the following Table

Table of Local Government Conferences and Workshops (FIU and CHF)

Name of Conference or Workshop	Date, Place	Counterpart	Composition of Participants	# of Participants
Conference for launching the Ministry of Health's program on decentralization of primary health care. The conference resulted in the strengthening of the National Governors Association and was the starting point in the process toward institutionalizing the organization	December 5 1994 Asuncion	Ministry of Health	Senior municipal officials, governors public and private health sector reps NGOs, national, regional, and local organizations. The US Department of Health and Human Services was the main speaker at this conference	230
Health workshop to discuss issues on health decentralization	March 1995	Ministry of Health	Senior officials and professionals of the Health Ministry, health community organizations NGOs and representatives of the private sector	30
Conference on the role of the Departmental Governments in the future of Paraguayan Democracy	April 6 7 1995, San Bernardino	Governor's Association	Governors and departmental secretaries or representatives of governors from all 17 Departments	30
First National Health Conference	April 10 1995 Asuncion	National Congress	The event was held in the National Congress and was open to the public Campesino organizations NGOs, professional and worker organizations and other private sector interests participated	150
Workshop with selected municipalities on budget preparation	June 21 1995 Asuncion	Municipality of Asuncion	Representatives from 8 municipalities and 3 Departments	14
First public hearing on Asuncion's annual municipal budget	September 19 1995 Asuncion P	Municipality of Asuncion	Citizens of Asuncion	400

<b>Name of Conference or Workshop</b>	<b>Date, Place</b>	<b>Counterpart</b>	<b>Composition of Participants</b>	<b># of Participants</b>
Budget and Financial Administration Workshop	November 16 1995, Asuncion P	Municipality of Asuncion	Representatives from 30 invited municipalities	60
Workshop on Public Health Decentralization	December 19-20 1995 Asuncion	Ministry of Health	Mayors representatives of municipalities and Departments, regional health directors local health center directors citizen members of the local health councils senior officials from the Health Ministry	50
International Conference on Decentralization	March 6-8, 1996, Asuncion	National Congress	President Wasmosy, Governors, Congressional leaders, public officials and university professors	120

Source Annex 1, Regional Local Government and Municipal Development Project, USAID

## **B Building Sustainability**

As a way of building sustainability in its program, CHF was committed in establishing exit strategies that insure the continuity of three main program areas that it had assisted after its departure. The three program areas and CHF's efforts to build sustainability in them are described below.

### **1 Cooperative Development**

The program successfully trained CREDICOOP as a TSO able to offer assistance to the cooperative sector on housing loans. The program helped the participating cooperatives in planning, budgeting and implementing home improvement loans. As the result of this new and needed service of being able to offer assistance for home improvement loans, CREDICOOP gained local and international recognition and prestige and most of the of participating cooperatives acquired new members and increased their share capital.

The computer programs for financial and fiscal control developed by CHF enable the cooperatives to strengthen their capability of managing housing credit loans. Overall, CREDICOOP and the participating cooperatives learned new techniques and skills as the result of participating in the home improvement loan program. Some of these techniques and skills can be applied in their other loan programs.

### **2 Home Improvement Loan Program**



As a way of assuring continuity in the home improvement loan program, CHF worked with CONAVI and CREDICOOP to establish a provision in the Memorandum of Understanding for a revolving loan fund. Under this provision, CONAVI agreed to deposit 50 percent of its loans repayments from CREDICOOP in a revolving loan fund for home improvement lending.

After this agreement for the creation of a revolving loan fund had been made, CONAVI's mandate was changed by the legislature and it was no longer allowed to lend to cooperatives. The change in legislation overrode CONAVI's agreement to establish the revolving loan fund.

Unfortunately, CONAVI's housing subsidy program favors private sector developers that have enough capital to provide bridge financing for construction of new houses. Without bridge financing, there is little to no incentive or possibility for cooperatives to become involved in its housing subsidy program.

The cooperatives that were interviewed all expressed interest in continuing the home improvement loan program, perhaps with the addition of funding for core housing construction and micro enterprise lending. Identifying other sources of capital from the private sector, national and international donors or the savings from their own members will remain a challenge of CREDICOOP and its member cooperatives if they are to continue these initiatives.

### **3 Local Government Strengthening**

CHF helped USAID/Paraguay design and develop its local government strengthening and decentralization strategies. CHF was involved in the selection of municipalities to be strengthened as model municipalities, and it helped the selected municipalities to strengthen their institutional capacity on a continuing, sustainable basis. CHF participated in the design and presentation of workshops directed to municipal employees on local government strengthening and decentralization.

CHF assisted in the design of a national health decentralization policy that was the basis of a National Health System Law. The law will provide the framework for the continued decentralization of public health services.

The local government team that CHF was a member of continues to meet to work on a wide range of activities and issues related to decentralization and the strengthening of local governments.

### **III CHF's Methodology for the Implementation of Its Work**

The methodology, and some samples of the various techniques, used by CHF to carry out its work under the two Cooperative Agreements is described below

#### **A Assessments and Analysis**

- Assessed the housing conditions in Paraguay to determine if a CHF home improvement model could be applied
- Conducted a financial analysis of interested cooperatives to determine if they should participate in the home improvement loan program
- Assessed the existing housing cooperatives to determine if they could have a meaningful role in the housing delivery system in Paraguay
- Assessed the role of various private sector institutions in a possible HG loan program

#### **B Technology Transfer**

- Transferred a successful home improvement loan program from Costa Rica to Paraguay with the help of Peace Corps
- Developed and provided computer finance and loan tracking programs to CREDICOOP and its affiliated cooperatives for the Ñande Roga Home Improvement Program

#### **C Training**

- Trained the Peace Corps Volunteers participating in the Ñande Roga Home Improvement Program
- Developed and delivered training workshops for CREDICOOP and cooperative board members and employees on the Ñande Roga Home Improvement Program
- Developed and disseminated written training and educational materials, in both English and Spanish, for the Ñande Roga Home Improvement Program
- Provided training to cooperatives on CONAVI's housing subsidy program

- ➡ Planned and conducted training workshops for mayors, municipal staff and city council members on modern municipal management techniques
- ➡ Trained members of NGOs and community-based organizations in the roles and responsibilities of the various players of a civil society, both institutions and individuals, in democratic actions
- ➡ Participated in the design of municipal management workshops to present decentralization matters

#### **D Meetings and Negotiations**

- ➡ Coordinated meetings and facilitated communications among the national and international institutions participating in the programs
- ➡ Held policy level discussions with CONAVI , the IDB and interested Congressional commissions on possible national housing finance policies
- ➡ Negotiated with CONAVI to include CREDICOOP and its cooperatives in the national housing delivery system
- ➡ Negotiated with CONAVI and the IDB to include the cooperative sector as eligible participants in the IDB funded housing program
- ➡ Meetings with CREDICOOP and CONAVI to prepare the parameters for a the Ñande Roga Home Improvement Loan Program
- ➡ Meetings with USAID partners and contractors to prepare policy guidance for the development of national policy conferences on decentralization issues
- ➡ Meetings with national and local authorities and private sector organizations to design a national health decentralization policy
- ➡ Meetings with municipalities, NGOs, community-based organizations and other organizations to discuss their respective roles and responsibilities in the local government strengthening and decentralization activities

#### **E Site visits and Hands-on Assistance**

- ➡ Visited credit unions to promote the Ñande Roga Home Improvement Program within with their board of directors and employees

- ➡ Visited of credit unions participating in the program to provide specific technical assistance and monitor the program
- ➡ Visited municipalities to present USAID's local government strengthening and decentralization program
- ➡ Visited municipalities to identify local capacities and assist in the selection of "model" municipalities
- ➡ Visited municipalities to provide technical assistance related to the development of local health commissions

## **F Monitoring**

- ➡ Prepared monthly program progress reports for RHUDO/SA
- ➡ Prepared monthly program progress reports for CHF Headquarters

## **IV Evaluation of CHF's Efforts**

CHF was successful in achieving almost all of the objectives of both Cooperative Agreements. For example, under the first Cooperative Agreement CHF achieved the following objectives:

- ➡ established a cooperative housing Technical Service Organization (TSO) in Paraguay to plan, implement, and administer housing programs for cooperatives
- ➡ helped the cooperative sector to participate in the national housing delivery system for the first time in Paraguay
- ➡ helped negotiate an agreement between CONAVI and CREDICOOP under which the former allowed credit unions affiliated to the latter to receive credit for home improvement loans under the Ñande Roga Home Improvement Program
- ➡ helped establish a revolving fund in CONAVI to continue to support home improvement programs for cooperatives. Unfortunately, as the result of a governmental decree that changed CONAVI's responsibilities in the area of housing finance, the revolving fund was eliminated
- ➡ prepared and disseminated training materials and a program manual in both English and Spanish on the demonstration Ñande Roga Home Improvement Program

- trained 195 board members and staff of participating credit unions in the Ñande Roga Home Improvement Program
- trained 17 Peace Corps Volunteers in the methodology of the Ñande Roga Home Improvement Program
- helped with the preparation of a the design and project paper for a HG loan program in Paraguay

CHF attempted to help housing cooperatives in Paraguay to participate in the housing delivery system CHF assessed the five registered housing cooperatives in Paraguay and found them all to be inactive and lacking institutional strength CHF was unable to identify a source of financing for new cooperative housing projects Because of these factors, CHF decided to concentrate its efforts on helping CREDICOOP, as a cooperative housing TSO, and its member cooperatives to implement and administer the Ñande Roga Home Improvement Program

CHF met all of the objectives of the second Cooperative Agreement For instance, CHF carried out the following

- continued to help CREDICOOP and its affiliated credit unions in the administration of home improvement lending programs through training and information about the proposed HG loan program and the CONAVI and IDB loan program
- helped CREDICOOP and its affiliated credit unions gain the approval of CONAVI and the IDB to participate in the latter's housing loan program as Intermediate Financial Institutions (IFIs)
- assisted USAID in the preparation of a HG project paper
- helped with the design and development of local government strengthening and programming approaches
- helped in the development of pilot basic health decentralization projects
- helped in the design of municipal management training workshops and conferences
- helped in the design of a national health decentralization policy that resulted in new health system legislation
- assisted in the selection of municipalities to participate in USAID's local government's strengthening activities and participants to attend workshops on the

subject

## **V Lessons Learned**

The lessons learned from CHF's efforts in Paraguay include the following

- 1 The creation of a cooperative housing TSO within CREDICOOP and its successful implementation of the Ñande Roga Home Improvement Program have shown that the cooperative sector can play a major role in a national housing delivery system. This is recognized not only in Paraguay but in other countries in the Southern Cone.
- 2 As the result of its successfully establishing a TSO capability and implementing the Ñande Roga Home Improvement Program, CREDICOOP has become the logical representative of the national cooperative sector in its negotiation with GOP agencies, such as CONAVI, on housing related matters. CREDICOOP was able to negotiate with CONAVI, for example, on the inclusion of cooperatives in the GOP's direct housing subsidy program.
- 3 There is a strong interest, and a real demand, by credit unions and housing cooperatives for loans for home improvement as well as new construction and home-based micro-enterprises.
- 4 A complete understanding of the loan terms and conditions of the housing credits is essential for any credit program. One of the main difficulties that the cooperatives that participated in the Ñande Roga Home Improvement Program confronted was the readjustment of the loan capital and monthly payments. These readjustments were made twice a year to keep up with increases in the minimum wages. CREDICOOP, the cooperatives and Peace Corps Volunteers discussed this issue with potential borrowers, who then agreed to the conditions by signing their loan. However, when the adjustments occurred, the borrowers said that they had not properly understood these conditions and did not want to accept them. Some cooperatives have since refinanced their loans, providing their members with a fixed interest rate of 28% for the balance of their debt. (According to projections comparing fixed and adjusted monthly payments, the total payments of a 28% fixed rate of interest are actually slightly higher than the total readjusted payments. However, a fixed interest rate obviously protects borrowers against abnormally high fluctuations in readjustment.) Some other cooperatives have addressed the readjustment problem by letting their members pay off their debt ahead of schedule. Still other cooperatives have maintained the original, readjustment schedule. Two of the 22 cooperatives participating in the program have defaulted on their loans to CREDICOOP, which has assumed their bad debt and is current in all of its payments to CONAVI.
- 5 CHF learned that Paraguay has yet to develop a grass roots type movement for housing

cooperatives There are only 5 housing cooperatives in existence and they are largely inactive and lack strength in organizational development and other specialized skills

6 Peace Corps Volunteers were sometimes unable to carry out their responsibilities for periods of time because of an irregular flow of capital from CONAVI for the Ñande Roga Home Improvement Program This problem was attributed to bureaucratic problems within CONAVI When capital was made available, Peace Corps Volunteers were extremely satisfied with the program

7 Community participation in identifying and resolving decentralization and urban environmental issues was extremely positive Municipal governments found this participation most helpful and key to the success of these programs

8 Another important lesson was the apparent lack of preparation and capability at the local level to properly manage Paraguay's municipal governments It is evident that municipal and departmental authorities are in need of training in public management The process of decentralization is still nascent and will require several years to completely take root It is evident that on-going assistance by the international community will be key in focusing attention on this process

## **VI Evaluation Methodology**

In evaluating CHF's activities in Paraguay, the evaluators used the following methodology

- Conducted interviews with individuals and partner organization (see annex 2)
- An "assessment tool" was created in order to record the assessments of the institutions involved in the first cooperative agreement (see annex 3)
- Collected and analyzed data from participating institutions
- Reviewed documents written on the program at CHF/HQ
- Reviewed documents written on the program at CHF/Paraguay, USAID/Paraguay, CREDICOOP and other participating institutions

## **Annex 1**

### **Institutional Roles**

#### **CHF**

- Promoted the program as a viable, replicable model for channeling of resources to help solve the housing deficit in the country's rural and urban areas
- Provided technical assistance and programming help with cooperative visits, workshops and other training activities
- Participated in the creation of a revolving credit fund to capitalize the home improvement program
- Held periodic meetings with representatives of CONAVI, CREDICOOP and the Peace Corps to exchange information
- Presented monthly technical reports
- Maintained a data base that was used for periodic reports
- Provided a person to administer the project
- Together with the Peace Corps and CREDICOOP established the criteria and obligations of the Peace Corps Volunteers in the institutions
- Developed a final report for all participating institutions and donor agencies
- Coordinated meetings with the USAID/Paraguay Mission and its other partners to develop program approaches and strategies for the Local Government Program
- Served as a team leader in the strategic planning of the Local Government Program for the USAID/Paraguay Mission
- Developed and designed training workshops for the Local Government Program USAID/Paraguay
- Conducted an assessment of Paraguayan governorships, focusing on three target departments
- Conducted research on the municipal participation in public service delivery activities
- Carried out comparative study on municipal revenues and revenue collection related legislation
- Assisted Florida International University in planning, organizing and conducting conferences and training workshops related to decentralization and local government strengthening

#### **CONAVI**

- Provided capital and investment for the program
- Maintained a separate account with its respective financial controls
- Provided payment schedules and corresponding controls to CREDICOOP on a monthly basis
- Participated in the creation of a revolving credit fund to capitalize the home improvement program
- Audited the project by visiting the participant cooperatives and the individual basis CONAVI visited each cooperative one time every six months for the duration of the program



## **CREDICOOP**

- Acted as an intermediary between CONAVI and the participating cooperatives for the channeling of funds
- Promoted the program to the Board of Directors and management of its affiliated cooperatives
- Maintained a credit line with CONAVI
- Organized the project and provided the forms, materials and assistance necessary for the cooperatives to complete the program
- Selected the cooperatives that participated in the project
- Established credit lines for the selected cooperatives and disbursed the funds among them
- Assumed the risk of recuperation of the loans from participating cooperatives
- Presented monthly financial and technical reports
- Provided a person to administer the project
- Developed a final report after all appropriated funds were disbursed to the cooperatives
- Verified all loan applications presented by the cooperatives
- Approved the loan applications of all employees and directors of the cooperatives, verifying their need and qualifications according to the rules set forth in the program

## **Affiliated Cooperatives**

- Accepted the program rules Communicated this acceptance with a letter from the Board of Directors of the cooperative to CREDICOOP
- Promoted the program to its members and the community using informative presentations, promotional posters in the cooperative (see annex 4)
- Accepted the participation of a Peace Corp Volunteer as a program facilitator
- Named a person in charge of the program, who served as a counterpart of the Peace Corps Volunteer
- Provided all of the resources, per diem, and/or materials necessary to fulfill the project at the cooperative level
- Established and maintained a line of credit with CREDICOOP
- Maintained separate financial controls for its credit line
- Assumed the loan risks and the responsibility of recuperation at the cooperative level
- Assured the rapid distribution of funds to the beneficiary
- Provided monthly financial and technical reports to CREDICOOP
- Took the indicated actions in case of misuse of funds by a beneficiary
- Provided the necessary information to CREDICOOP when a director or employee applied for a loan
- Completed all the indicated and necessary project visits and inspections
- Maintained photo albums of the home improvement projects for supervision and promotional purposes

**United States Peace Corps**

- Provided technical assistance by assigning Peace Corps Volunteers to the participating institutions, CONAVI, CREDICOOP and the cooperatives
- Provided the necessary support and training to the volunteers and/or their counterparts in accordance with program needs
- The volunteers at the cooperative level worked with counterparts, representatives of the institution, to whom they provided technical assistance and support for the implementation of the project
- Met four (4) times a year with CREDICOOP to conduct evaluative workshops

**Florida International University**

- Provided technical assistance in support of departmental and other public officials
- Provided technical and planning assistance in support of a policy framework that encourages the devolution of authority to a local government as part of the Paraguayan Decentralization Plan
- Organized technical assistance for local governments including the coordination of technical assistance for visits of national and international consultants to Paraguay
- Supported activities to strengthen local government managerial capacity and citizen participation in local decision-making

## **Annex 2**

### **Interviews with individuals and partner organization**

#### **CHF/Paraguay**

Mr Todd Sorenson, CHF/Paraguay's Project Director

#### **USAID/Paraguay**

Mr Jerry Barth, Deputy Director

Mr Oscar E Carvallo, Project Manager for CHF's programs

#### **Alter Vida**

Ing Jorge Abbate Cordazzo, Director

Ms Romy M Vaesken **Cooperativa de Produccion Agro-Industrial y Servicios  
"YPACARAI" Ltda**

Mr Juan Bautista Coghlan C , Gerente General

#### **Cooperativa de Produccion Agro-Industrial y Servicios "La Barreña" Ltda**

Mr Julio Diaz, Gerente General

#### **CREDICOOP Ltda**

Econ Esteban Almada Roman, Gerente General

Mr Luis Cesar Gonzalez, Dpto de Financiamiento, Vivienda

#### **Union Internacional de Municipios y Poderes Locales, IULA**

Mr Mario Rosales O , Coordinador Cono Sur Programa SACDEL

#### **Development Alternatives International (DAI)**

Mr Arturo Urrutia Aburto, Director, Proyecto de Descentralizacion en Paraguay  
(PRODEP)

Mr Victor-Jacinto Flecha, Consultant, PRODEP  
(also worked with the Florida International University program)

#### **COPAFI AREGUA Ltda**

Lic Jeobaldo Araujo Acosta, Gerente (also worked in CREDICOOP)

#### **US Peace Corps**

Mr Paul D Kealey, Director

Mr Ruben Rolon, Associate Peace Corps Director, Small Business Development and  
Cooperatives

### **Annex 3**

## **Interviews**

### **ASSESSMENT TOOL (SAMPLE)**

NAME

ORGANIZATION

POSITION

*Can you tell us what were the activities that CHF conducted to support the work of your organization?*

*In the scale 1-10 how would you rate the CHF activities in Paraguay?*

*1= not good at all*

*10=very good*

*Do you think that CHF contributed to the growth of your organization?*

*Please explain*

*In the scale 1-10 please rate the technical assistance that CHF conducted for your organization*

*1=not good at all*

*10=very good*

*If this program was to start today what changes would you recommend*

## ASSESSMENT TOOL RESULTS

NAME	Luis Cesar Gonzalez
ORGANIZATION	CREDICOOP
POSITION	Coordinator of Logistics and Training

*Can you tell us what were the activities that CHF conducted to support the work of your organization?*

- CHF conducted needs assessments on an individual basis
- CHF helped to develop the loan recovery plan
- CHF developed the financial computer tools for CREDICOOP
- CHF prepared data to be presented to CONAVI
- CHF contributed to the organizational development of CREDICOOP
- CHF trained cooperatives' staff and board directors and Peace Corps volunteers

*In the scale 1-10 how would you rate the CHF activities in Paraguay?*

*1= not good at all*

*10=very good*

1

5

10

XX

*Do you think that CHF contributed to the growth of your organization?*

*Please explain*

CREDICOOP had approached CONAVI before without any positive response from CONAVI, CHF aided in incorporating the cooperative sector in the national housing delivery system

*In the scale 1-10 please rate the technical assistance that CHF conducted for your organization*

*1=not good at all*

*10=very good*

1

5

10

XX

*If this program was to start today what changes would you recommend*

- no adjustment on credit lines for the beneficiary Fixed rate would work better, with a higher interest rate
- new construction loans would be provided in addition to home improvement loans

## ASSESSMENT TOOL

NAME	Esteban Almada Roman
ORGANIZATION	CREDICOOP
POSITION	General Manager

*Can you tell us what were the activities that CHF conducted to support the work of your organization?*

- CHF developed training materials and workshops
- CHF provided technical assistance to the cooperative members
- CHF developed the financial computer tools for CREDICOOP
- CHF prepared data to be presented to CONAVI
- CHF contributed to the organizational development of CREDICOOP
- CHF trained cooperatives' staff and board directors and Peace Corps volunteers

*In the scale 1-10 how would you rate the CHF activities in Paraguay?*

*1= not good at all*

*10=very good*

1

5

10

XX

*Do you think that CHF contributed to the growth of your organization?*

*Please explain*

CHF introduced CREDICOOP to sound financial and accounting practices and loan reporting, CHF developed training workshops for the administrators of cooperatives

*In the scale 1-10 please rate the technical assistance that CHF conducted for your organization*

*1=not good at all*

*10=very good*

1

5

10

XX

*If this program was to start today what changes would you recommend*

to support productive housing (home based micro-enterprise)



## ASSESSMENT TOOL

NAME

Juan Bautista Coghtan

ORGANIZATION

Cooperativa YPACARAI

POSITION

General Manager

*Can you tell us what were the activities that CHF conducted to support the work of your organization?*

- CHF developed training materials and workshops
- CHF provided technical assistance to the volunteers and the loan department
- CHF developed the materials for loan recovery
- CHF contributed to the organizational development of YPACRAI
- CHF trained the cooperatives' housing staff and board of directors and Peace Corps volunteers

*In the scale 1-10 how would you rate the CHF activities in Paraguay?*

*1= not good at all*

*10=very good*

1

5

10

XX

*Do you think that CHF contributed to the growth of your organization?*

*Please explain*

CHF provided assistance in loan management, recovering and reporting

*In the scale 1-10 please rate the technical assistance that CHF conducted for your organization*

*1=not good at all*

*10=very good*

1

5

10

XX

*If this program was to start today what changes would you recommend*

fixed rates rather than readjustments for the direct beneficiaries

Note YPACARAI refinanced all loans from CONAVI to its members to avoid readjustment

## ASSESSMENT TOOL

NAME

Julio Diaz

ORGANIZATION

Cooperativa La Barrereña

POSITION

General Manager

*Can you tell us what were the activities that CHF conducted to support the work of your organization?*

- CHF developed training materials and workshops
- CHF provided technical assistance to the volunteers and the loan department
- CHF developed the materials for loan recovery
- CHF conducted needs assessments on individual basis

*In the scale 1-10 how would you rate the CHF activities in Paraguay?*

*1= not good at all*

*10=very good*

1

5

10

XX

*Do you think that CHF contributed to the growth of your organization?*

*Please explain*

CHF provided assistance in loan management, recovering and reporting

CHF trained the cooperatives' housing staff and board of directors and Peace Corps volunteers

*In the scale 1-10 please rate the technical assistance that CHF conducted for your organization*

*1=not good at all*

*10=very good*

1

5

10

XX

*If this program was to start today what changes would you recommend*

fixed rates rather than readjustments for the direct beneficiaries

Note La Barrereña refinanced all but three loans from CONAVI to its members to avoid readjustment

## ASSESSMENT TOOL

NAME	Teobaldo Araujo
ORGANIZATION	Cooperativa COPAFI AREGUA LTDA
POSITION	General Manager

*Can you tell us what were the activities that CHF conducted to support the work of your organization?*

- CHF developed training materials and workshops
- CHF provided technical assistance to the volunteers and the loan department
- CHF developed the materials for loan recovery
- CHF conducted needs assessments on individual basis
- CHF provided knowledge of financial management

*In the scale 1-10 how would you rate the CHF activities in Paraguay?*

*1 = not good at all*

*10 = very good*

1

5

10

XX

*Do you think that CHF contributed to the growth of your organization?*

*Please explain*

CHF provided assistance in loan management, recovering and reporting  
CHF trained the cooperatives' housing staff and board of directors and Peace Corps volunteers  
CHF contributed in the strategic planning of the cooperative

*In the scale 1-10 please rate the technical assistance that CHF conducted for your organization*

*1 = not good at all*

*10 = very good*

1

5

10

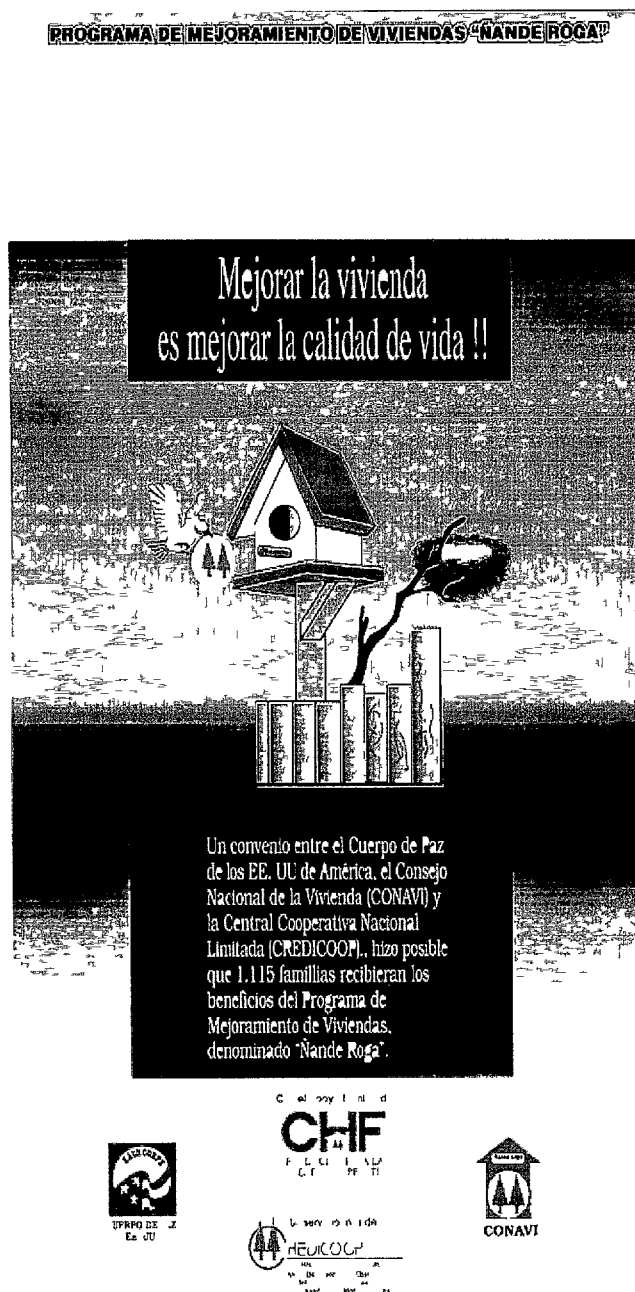
XX

*If this program was to start today what changes would you recommend*

more public meetings with the direct beneficiaries to explain the readjustment process  
more credit lines for new construction  
support to home based micro-enterprise

## **Annex 4**

### Poster of Home Improvement Program Ñande Roga

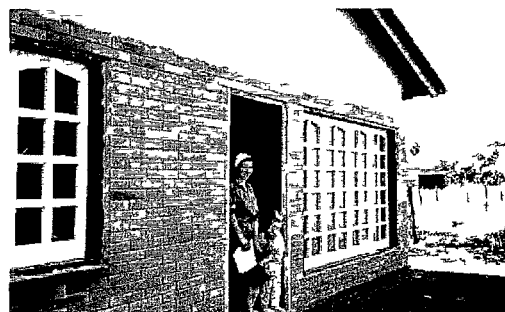


## **Annex 5**

Photos of some of the improvements funded by the Home Improvement Program



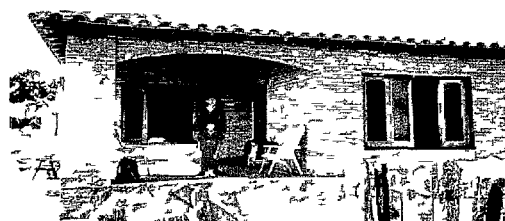
New room addition



New living area and re-roofing



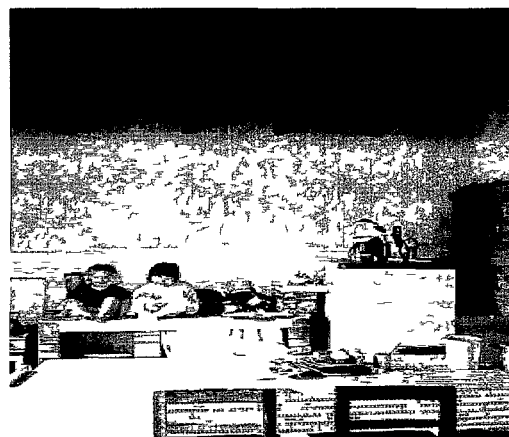
New front porch and re-roofing



New front porch and living area



Inside bathroom addition



New kitchen area